

EPiSERVER

Interim report January - March 2010

License revenues increased 28 percent

- » Licenses sales amounted to SEK 20.7 M (16.1) during the period, an increase of 28 percent
- » Net sales amounted to SEK 53.0 M (41.9) during the period
- » Operating profit during the period totaled SEK 6.8 M (6.9).
- » Profit before taxes was SEK 5.8 M (7.6) during the period.
- » Profit after taxes amounted to SEK 3.2 M (5.6) during the period.
- » Earnings per share during the period totaled SEK 0.06 (0.11)

Significant events during quarter

- » EPiServer decided to apply for listing on NASDAQ OMX Stockholm
- » EPiServer CMS 6, which optimizes online communications and realizes the business critical web, was launched in March. EPiServer CMS 6 is more than a traditional platform for web publishing. It supports social media, community solutions, e-commerce, search engine optimization and personalization.
- » At the end of the quarter, more than 9,500 members were registered on EPiServer's community EPiServer World.
- » Bonnier-owned Bink is developing its digital business in co-operation with EPiServer. To increase cost efficiency, di.se, dn.se and all sites from Bonnier Tidskrifter will switch to new platforms based on EPiServer CMS.
- » Major new customers and websites during the first quarter: PEAB, STIM, Silverstone, Försvars- och säkerhetsföretaget SAAB and Coop.
- » Sweden's best websites were announced. Those named to receive Web Service Awards included the EPiServer-based sites ICA Banken and the Royal Opera.
- » Martin Henricson was appointed new CEO of EPiServer Group AB in February. The former CEO Peter Larsson became new Chairman of the Board. Jonas Alfredson also took office as new CFO in March.

CEO's comments

As the newly appointed CEO of EPiServer, it is highly gratifying to note that the strong sales growth achieved during 2009 continued during the first quarter, driven by robust demand among our end customers. Revenues showed year-on-year growth of 26 percent during the period and operating profit amounted to SEK 6.8M (6.9).

During the quarter, we were impacted by the full cost effect of the foreign establishments that were undertaken in 2009 as well as the investment in additional R&D resources in Vietnam. These investments are the main reasons for the increase in cost levels. These initiatives are expected to be transformed into increased revenues in the future.

The establishment in the US initiated in mid-2009 is proceeding as planned and five new partners were recruited in the first quarter. We now have a total of 25 partners in the US and are continuing to systematically cultivate the American market.

At the end of March, in accordance with our strategy for continuously improving our offering, we launched the next generation platform for web publishing, EPiServer CMS 6. The platform is designed to meet the changing needs of our customers who are facing the challenge of creating web experiences that engage the visitor at each contact. In addition to this product upgrade, we are also planning a launch during the second quarter of 2010

of a completely new e-commerce solution for EPiServer, in response to demand among our partners and end customers for this type of product.

With its broad product and service portfolio, EPiServer is well equipped during 2010 to successfully satisfy the considerable demand for products and services that convert our end customers' online presence into business results.

Martin Henricson
CEO

Revenues

Net sales for the period January-March amounted to SEK 53.0 M (41.9), up 26 percent. Stated in local currencies, year-on-year growth amounted to 28 percent. Currency effects impacted sales in the period negatively by SEK 0.6 M.

Revenues by product type

Growth is driven mainly by license sales. Net sales were distributed as follows. License revenues amounted to SEK 20.7 M (16.2), up 28 percent. License revenues account for about 39 percent (39) of total revenues. Recurring revenues amounted to SEK 27.6 M (20.0), corresponding to an increase of 38 percent. Recurring revenues comprise Software Subscription (subscriptions for upgrading of platforms) and Hosting. Recurring revenues represent about 52 percent (48) of total revenues. Other revenues comprise mainly training and events.

Revenues by region

Net sales in the Sweden region amounted to SEK 31.5 M (24.6), corresponding to growth of 28 percent. Sales in the Europe region totaled SEK 19.3 M (16.3), corresponding to growth of 18 percent in SEK and 22 percent in local currencies. Sales in the Rest of the World region amounted to 2.2 M (1.0), yielding growth in SEK of 122 percent

	Q1 2010	Q1 2009	Δ %	Δ KSEK
Sweden	31 512	24 623	+28%	+6 889
Europe	19 322	16 332	+18%	+2 990
Rest of the world	2 171	976	+122%	+1 195
TOTAL	53 005	41 931	+26%	11 074

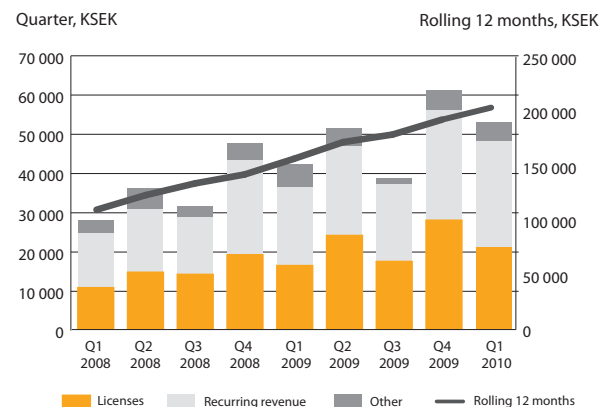
Expenses and profit

Consolidated operating profit in the first quarter amounted to SEK 6.8 M, (6.9) corresponding to an operating margin of 12.8 percent (16.5). EBITDA was SEK 10.0 M (9.0). Pretax profit amounted to SEK 5.8 M (7.6).

Operating expenses in the Group totaled SEK 46.3 M (35.0) during the period. The distribution of costs was SEK 19.8 M (16.9) for personnel expenses, SEK 23.2 M (16.1) for other external expenses and SEK 3.2 M (2.1) in depreciation. Costs are mainly attributable to sales organization growth and increased spending in R&D resources in Vietnam. In addition, costs were incurred for the US establishment. Costs attributable to the exchange listing, amounting to SEK 2.7 M, are temporarily capitalized pending the listing, which is scheduled to occur prior to summer 2010.

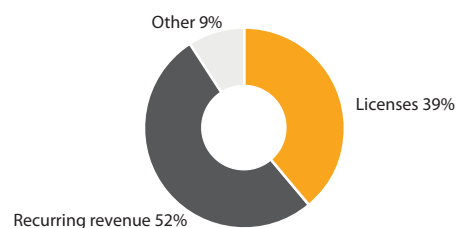
	Q1 2010	Q1 2009	Δ %	Δ KSEK
Net sales	53 005	41 931	+26%	+11 074
EBITDA	10 022	8 974	+12%	+1 048
EBITDA margin	19%	21%	-	-
Operating income	6 776	6 919	-2%	-143
Operating margin	13%	17%	-	-
Income after financial items	5 836	7 623	-23%	-1 787
Net income	3 231	5 580	-42%	-2 349
EPS basic SEK	0,06	0,11	-	-0,04
EPS diluted SEK	0,06	0,10	-	-0,04
Cash flow/No. of shares, SEK	0,09	-0,10	-	-

Revenues

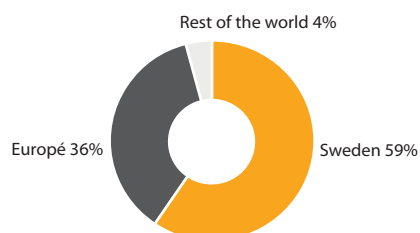


	Q1 2010	Q1 2009	Δ %	Δ KSEK
Licenses	20 699	16 183	+28%	+4 516
Recurring revenue	27 551	19 952	+38%	+7 599
Other	4 755	5 796	-18%	-1 041
Total	53 005	41 931	+26%	11 074

Revenues by product type, Q1 2010



External revenues by region, Q1 2010



Expenses and profit



Cash flow, investments and financial position

Cash flow from current operations amounted to SEK 6.8 M (6.1). Net investments were SEK 6.1 M (4.8). Capitalized development costs

amounted to SEK 4.6 M (2.6) during the period. EPiServer had cash and cash equivalents totaling SEK 11.0 M (13.1) and unutilized credit facilities of SEK 5.0 M (18.2). Accordingly, the company had access to funds of SEK 16.0 M (31.3) at March 31, 2010.

Shareholders' equity, shareholders and number of shares

The Group's shareholders' equity amounted to SEK 191.7 M. The total number of shares was 52,575,573 at the end of the period. After full exercise of warrants outstanding, the total number of shares was 56,275,573. The consolidated equity/assets ratio was 62.5 percent (63.9) at March 31, 2010.

Ten largest shareholders

Shareholder	No. of shares	% of shares
Elbiefeld Investments Ltd	15 000 000	28,53%
Northzone Ventures V K/S	10 000 000	19,02%
Amadues III	9 700 000	18,45%
Monterro Holdings Ltd	5 000 000	9,51%
Kelder Limited	5 000 000	9,51%
Cochlear Holdings Ltd	2 710 472	5,16%
Lagercrantz Holding AB	1 327 878	2,53%
Per Rask	1 057 495	2,01%
Daniel Maurer	533 881	1,02%
Other	2 245 847	4,27%
Total	52 575 573	100,00%

Incentive program

Outstanding options	No. of options	Exercise price
Outstanding options, 2008/2012	1 593 432	3,5 SEK
Employee stock options	614 480	4,0 and 5,0 SEK
Outstanding options, 2010/2014	800 718	8,0 SEK
Total options outstanding	3 008 630	-
Available to subscribe 2010, 2008/2012	292 088	-
Available to subscribe 2010, 2008/2014	456 522	-
Total options	3 757 240	-

Extraordinary General Meeting

At an Extraordinary General Meeting held March 12, 2010, Kerstin Hessius was elected a new member of the Board of EPiServer Group AB. The Meeting also resolved to issue a private placement of 70,922 shares to CEO Martin Henricson. In addition, 1,200,000 warrants were issued to the subsidiary EPiServer AB. Thereafter, the subsidiary sold 800,718 warrants to senior executives in EPiServer Group AB.

Parent Company

The operations of the Parent Company focus primarily on administration of the Group. The Parent Company has two employees. The operating loss amounted to SEK 1.3 M (+0.2). Cash and cash equivalents totaled SEK 0.0 M (0.0) and borrowing amounted to SEK 44.0 M (64.0).

Future outlook

The positive sales trend in 2009 continued during the first quarter. Although the immediate future is difficult to assess, continued growth is expected in 2010. The key to EPiServer's success in recent years is its strong market position and scalable business model that facilitates full leverage of the underlying market growth. Based on EPiServer's strong development during 2009, we believe that EPiServer will continue to develop positively in 2010.

Events after the close of the period

No significant events occurred after the close of the period.

Personnel

The total number of employees in the Group during the period Jan - March 2010 was 111 (95). The number at the end of the period was 111 (95).

Transactions with closely related parties

During the period, shares and warrants were issued to senior executives; see section above entitled Extraordinary General Meeting for further information. In other respects, no significant changes occurred in relations or transactions with closely related parties compared with the information presented in the 2009 Annual Report.

Accounting policies

This interim report was prepared in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting. Refer to the 2009 Annual Report for information regarding the accounting policies applied. New elements in the accounting standards that became effective at January 1, 2010 had no impact on the Group's accounting as of March 31, 2010. The accounting standards are unchanged compared with those applied in 2009.

Risks and uncertainties

A number of risks and uncertainties affecting EPiServer's operations are presented in the 2009 Annual Report. At March 31, 2010, the assessment was that no new risks or uncertainty factors have arisen.

Annual General Meeting

The Annual General Meeting will be held on May 24. Currently, EPiServer is a privately owned company. The Board proposes that no dividend be paid for the 2009 fiscal year (0). The Annual Report is available at www.EPiServer.com.

Reporting dates

During 2010, EPiServer will release reports on the following dates:

» Six-month interim report	Friday, August 27
» Nine-month interim report	Thursday, October 28.
» Year-end report 2010	February 25, 2011
» Three-month interim report	April 28, 2011
» AGM	April 28, 2011

Stockholm, April 29, 2010

EPiServer Group AB
Board of Directors

Auditors' review report

To the Board of Directors of EPiServer Group AB

Introduction

I have conducted a review of the condensed financial interim information (interim report) for EPiServer Group AB at March 31, 2010 and of the three-month-period ending on that date. The Board of Directors and the President are responsible for preparing this condensed financial interim information (interim report) in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express an opinion on this interim report based on my review.

Focus and scope of the review

I have conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with Swedish GAAP and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that, in all material respects, the interim report for the Group has not been prepared in accordance with IAS 34 and the Annual Accounts Act, and that the interim report for the Parent Company has not been prepared in accordance with the Annual Accounts Act.

Stockholm, April 29, 2010

Anders Meyer
Authorized Public Accountant
Grant Thornton Sweden AB

Consolidated Income Statement

	Q1 2010	Q1 2009		Q1 - Q4 2009
Revenues	53 005	41 931	+26%	192 339
Total Revenues	53 005	41 931	+26%	192 339
Other external expenses	-23 213	-16 095	+44%	-73 768
Personell	-19 769	-16 862	+17%	-70 937
Depreciation	-3 246	-2 055	+58%	-8 758
Other non-operational expenses	-	-	-	-116
Operating profit	6 776	6 919	-2%	38 760
<i>Operating margin %</i>	<i>13%</i>	<i>17%</i>		<i>20%</i>
Financial Income	149	2 582	-94%	4 419
Financial expenses	-1 089	-1 878	-42%	-5 634
Profit before tax	5 836	7 623	-23%	37 545
Tax	-2 605	-2 043	+27%	-12 686
Net profit	3 231	5 580	-42%	24 859
Earnings per share, basic	0,06	0,11	-	0,47
Earnings per share, diluted	0,06	0,10	-	0,46

Consolidated Balance Sheet

KSEK	March 31, 2010	March 31, 2009	Dec 31, 2009
Assets			
Goodwill	190 847	190 847	190 847
Other intangible fixed assets	23 571	11 674	19 565
Tangible fixed assets	24 296	13 098	25 484
Financial fixed assets	41	1 100	217
Accounts receivable	36 991	26 975	45 761
Other receivables	10 772	4 074	6 068
Cash and cash equivalents	11 015	13 063	6 541
Total assets	297 533	260 831	294 483
Equity and liabilities			
Shareholders' equity	191 667	166 720	187 050
Deferred tax liabilities	15 200	10 762	14 193
Intrest bearing liabilities - long	6 269	14 900	6 579
Other long term liabilities	309	-	189
Intrest bearing liabilities - short	48 093	38 285	45 029
Other liabilities	35 995	30 164	41 443
Total equity and liabilities	297 533	260 831	294 483
Assets pledged as collateral	208 948	208 948	208 948
Contingent liabilities	None	none	none
Interest-bearing liabilities	54 362	53 185	51 608
of which finance lease liability	10 369	6 379	11 008
Net debt	43 347	40 122	45 067
Unutilized credit facility	5 007	18 200	11 558

Consolidated Statement Of Changes In Equity

KSEK	March 31, 2010	March 31, 2009	Dec 31 2009
Opening balance	187 050	161 338	161 338
Profit	3 231	5 580	24 859
Currency translation differences	108	-198	414
Total comprehensive income	3 339	5 382	25 273
Employees share options scheme:		-	
- Value of employee services	257	-	439
- Option premiums received	521	-	-
New share issue	500	-	-
Total transactions with owners	1 278	-	439
Closing balance equity	191 667	166 720	187 050

Consolidated Statement Of Comprehensive Income

	Q1 2010	Q1 2009	Q1-Q4, 2009
Profit for the period	3 231	5 580	24 859
<i>Other comprehensive income</i>			
Currency translation differences	108	-198	414
Total comprehensive income	3 339	5 382	25 273
<i>Attributable to:</i>			
- Owners of the parent	3 339	5 382	25 273
- Minority interest	-	-	-
Total comprehensive income	3 339	5 382	25 273

Consolidated Cash Flow Statement

KSEK	Q1 2010	Q1 2009
Profit after financial items	5 836	7 623
Adjustment for non-cash items	3 503	2 055
Taxes paid	-1 688	-4 904
Change in operating receivables	4 437	-28
Change in operating liabilities	-5 331	1 354
Cash flow from operating activities	6 757	6 100
<i>Investing activities</i>		
Aquisition of intangible assets	-4 925	-3 262
Aquisition of tangible assets	-1 139	-1 270
Other cash from investment activities	-	-51
Cash flow from investing activities	-6 064	-4 583
<i>Financing activities</i>		
New share issue/option premiums	1 027	-
New loans taken	8 068	636
Amortization of loans	-5 314	-7 253
Cash flow from financing activities	3 781	-6 617
Cash flow for the period	4 474	-5 100
Cash equivalents, opening balance	6 541	18 163
Cash equivalents, closing balance	11 015	13 063

Segment Reporting

Revenues	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Rolling 12 months	Q1 2009	Q1-Q4 2009
Sweden	31 512	37 755	21 420	31 787	122 474	24 623	115 585
Europé	19 322	20 885	15 337	18 727	74 271	16 332	71 281
Rest of the world	2 171	2 287	1 533	677	6 668	976	5 473
Total external revenues	53 005	60 927	38 290	51 191	203 413	41 931	192 339
Sweden - internal revenues	329	389	2 793	300	3 812	300	3 783
Europe - internal revenues	841	742	1 067	236	2 886	418	2 463
Rest of the world internal revenues	1 455	908	548	0	2 911	0	1 456
Total revenues	55 630	62 967	42 699	51 727	213 022	42 649	200 041
Inter segment revenues	-2 625	-2 040	-4 409	-536	-9 609	-718	-7 702
Total external revenues	53 005	60 927	38 290	51 191	203 413	41 931	192 339

Operating profit	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Rolling 12 months	Q1 2009	Q1 - Q4 2009
Sweden	17 939	25 410	13 280	21 845	78 474	15 870	76 405
Europé	12 455	13 700	8 302	9 213	43 670	8 680	39 895
Rest of the world	-1 281	-1 670	-1 603	-422	-4 976	760	-2 935
Group common and group elimination	-22 336	-20 962	-16 037	-19 215	-78 550	-18 391	-74 605
Total operating profit	6 776	16 478	3 942	11 421	38 617	6 919	38 760

Operating margining	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Rolling 12 months	Q1 2009	Q1 - Q4 2009
Sweden	56,9%	67,3%	62,0%	68,7%	64,1%	64,5%	66,1%
Europé	64,5%	65,6%	54,1%	49,2%	58,8%	53,1%	56,0%
Rest of the world	neg.	neg.	neg.	neg.	neg.	77,9%	neg.
Group common and group elimination	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Total operating margin	12,8%	27,0%	10,3%	22,3%	19,0%	16,5%	20,2%

Revenue by product type	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Rolling 12 months	Q1 2009	Q1 - Q4 2009
Licenses	20 699	27 732	17 233	23 850	89 514	16 183	84 998
Recurring revenue	27 551	28 042	19 720	22 873	98 186	19 952	90 587
Other	4 755	5 153	1 337	4 468	15 713	5 796	16 754
Total revenues	53 005	60 927	38 290	51 191	203 413	41 931	192 339

Quarterly Consolidated Income Statement

	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Rolling 12	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Rolling 12
Revenues	53 005	60 927	38 290	51 191	203 413	41 931	47 301	31 361	35 870	156 463
Total revenues	53 005	60 927	38 290	51 191	203 413	41 931	47 301	31 361	35 870	156 463
Other external expenses	-23 213	-21 605	-16 099	-19 969	-80 886	-16 095	-15 290	-12 517	-17 048	-60 950
Personell	-19 769	-19 914	-16 264	-17 897	-73 844	-16 862	-15 076	-12 527	-14 654	-59 119
Depreciation	-3 246	-2 814	-1 985	-1 904	-9 949	-2 055	-1 821	-1 546	-1 699	-7 121
Other non-operational expenses	-	-116	-	-	-116	-	-	-	-250	-250
Operating profit	6 776	16 478	3 942	11 421	38 617	6 919	15 114	4 771	2 219	29 023
<i>Operating margin %</i>	13%	27%	10%	22%	19%	17%	32%	15%	6%	19%
Financial Income	149	933	187	717	1 986	2 582	1 146	219	728	4 675
Financial expenses	-1 089	-424	-2 484	-848	-4 845	-1 878	-2 317	-1 467	-1 427	-7 089
Profit before tax	5 836	16 987	1 645	11 290	35 758	7 623	13 943	3 523	1 520	26 609
Tax	-2 605	-7 187	63	-3 519	-13 248	-2 043	-4 412	-1 707	65	-8 097
Net profit	3 231	9 800	1 708	7 771	22 510	5 580	9 531	1 816	1 585	18 512
Earnings per share, basic	0,06	0,19	0,03	0,15	0,43	0,11	0,18	0,03	0,03	0,35
Earnings per share, diluted	0,06	0,18	0,03	0,14	0,41	0,10	0,17	0,03	0,03	0,34

Parent Company Income Statement

	Q1 -2010	Q1 2009
Net sales	300	300
Total	300	300
Other external expenses	-944	-70
Personell	-674	-
Operating profit	-1 318	230
Financial Income	-	-
Financial expenses	-222	-519
Profit before tax	-1 540	-289
Tax	-	-
Net profit	-1 540	-289

Parent Company Balance Sheet

KSEK	2010-03-31	2009-03-31	2009-12-31
Assets			
Financial fixed assets	226 408	224 693	224 948
Accounts receivable	-	375	-
Other receivables	8 915	4 070	111
Total assets	235 323	229 138	225 059
Equity and liabilities			
Shareholders' equity	148 199	147 945	149 240
Deferred tax liabilities	-	1 021	-
Intrest bearing liabilites - short	43 993	35 300	40 542
Other liabilites	43 131	16 665	35 277
Total equity and liabilities	235 323	229 138	225 059
Assets pledged as collateral	221 760	221 760	221 760
Contingent liabilities	8 208	none	8 208

Financial Terminology

Capital employed

Total assets less non-interestbearing provisions and liabilities.

Capital turnover

Net sales divided by average Capital employed.

Compound annual growth rate (CAGR)

The year-over-year growth rate over a specified period of time.

Days sales outstanding (DSO)

Trade receivables balance at quarter end divided by Net Sales in the quarter and multiplied by 90 days.

Earnings per share

Basic earnings per share; profit or loss attributable to stockholders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share; the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

EBITDA margin

Earnings Before Interest, Taxes, Depreciation and Amortization, as a percentage of Net Sales.

Equity ratio

Equity, expressed as a percentage of total assets

Return on capital employed

The total of Operating income plus Financial income as a percentage of average capital employed (based on the amounts at January 1 and December 31).

Return on equity

Net income attributable to stockholders of the Parent Company as a percentage of average Stockholders' equity (based on the amounts at January 1 and December 31).

Stockholders' equity per share

Stockholders' equity divided by the number of shares outstanding at end of period, basic.



Our partners – Your way to tomorrow's Engaged Web

EPiServer was founded in 1994 and is now the world's fastest growing provider of platforms for web publication and online social communities. EPiServer's platforms are used daily by more than 130,000 web editors on over 8,500 web sites all over the world. EPiServer's partner network, consisting of more than 330 partners in over 40 countries, manages all sales of EPiServer's platforms. The company is a Microsoft Gold Certified Partner and has had an AAA Dun & Bradstreet rating since 2000. For more information, please visit www.episerver.com



Sweden	Poland	Venezuela	Japan	UAE
Norway	South Africa	India	China	Luxembourg
Denmark	USA	Mexico	Hong Kong	Israel
Finland	Spain	Canada	South Korea	Ireland
Australia	Argentina	Germany	Malaysia	Ukraine
New Zealand	Brazil	France	Singapore	Botswana
United Kingdom	Chile	Hungary	Thailand	
Netherlands	Colombia	Belgium	Taiwan	
Italy	Peru	Switzerland	Mauritius	

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